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Ukraine

During the second half of 2004, the electoral crisis in Ukraine, also known as the 'Orange Revolution', threatened to have a tremendous impact on the country's poultry consumption. For reference, the Orange Revolution was the movement of Ukrainian citizens protesting election fraud in the second round of Ukraine's election on November 21, 2004. Prior to the election, the outgoing government attempted to retain power by increasing minimal pension payments from August through December of 2004, resulting in the rise of many low-income groups; thus changing the groups' consumption habits, particularly in regards to meat and meat products.

In January of 2005, the newly elected government, under President Yushchenko, targeted poultry imports as an important political issue and discussed plans to change the current import system by eliminating tax privileges associated with the Special Free Economic Zones (FEZ), as well as the imposition of meat quotas, especially for poultry, in order to curb soaring imports and provide support to domestic producers.

As of late March of 2005, the government of the Ukraine (GOU) eliminated tax privileges, along with the FEZ's with the idea of creating a more transparent and liberal economic environment. In doing so, the prohibitive import tariffs imposed throughout the country created a trade barrier effectively stopping imports of poultry by no longer allowing them to legally circumvent the high import tariffs. A significant obstacle was developed for U.S. producers jeopardizing their plans for further expansion of legal exports for 2005 and 2006. Despite amendments to the Customs Tariff in June of 2005 aimed at reducing tariff rates, legal U.S. imports of U.S. poultry continue to be unprofitable. However the situation is compounded by the fact import duties for chicken parts are significantly higher compared with that of whole chickens (see table.)

According to the table, chicken cuts and offal (HS020714) accounted for about 90% of all imports, while whole chickens only 3% in 2003. If imports of chicken cuts and offal are broken down to HS 8-digit subcategories, 93% of all U.S. exports fall under HS020714. The official tariff for this category remains at 30% of the CIF price or no less than 1.5 EUR per kilogram. Given an average CIF price for HS020714 of \$0.41 per kilogram (kg) in 2004, the 1.5 EUR import duty transfers into a prohibitive 439% ad valorem equivalent tariff rate. Thus, the 10% tariff rate reduction (0.4 EUR/kg) on frozen whole chickens will have no short term effect, but may possibly stimulate some changes in 2006.

New poultry tariff rates were signed into law August 8, 2005 and published August 16, 2005. Rate changes (see table) were uneven with some decreasing, some increasing, and others remaining constant, however in the end applied tariffs for all poultry products increased significantly since the early part of 2005. Prior to the elimination of the FEZ's, only 3% of all poultry trade was subject to import tariffs, while all other legal imports were either transshipped duty free or processed and repackaged in the FEZs with very insignificant payments made to local budgets. Based on the assumptions that no legislative reform will take place and the market will remain stable, it is expected that U.S. exports to the Ukraine will be insignificant in 2006. U.S. competitors (Brazil and the EU) might take advantage of the situation by exporting

whole chickens to the Ukraine at lower tariffs, though it is unlikely Ukrainian traders will import large quantities given current price levels and sizes of available shipment allotments for sale. Red meat imports are projected to grow in 2006 serving as a substitute for poultry. In light of this, the U.S. and the Ukraine are currently in trade talks for a bilateral agreement, which if successful would ensure the Ukraine's accession into the WTO.

On the other hand, Ukraine's poultry production projected to grow substantially at 30% a year for the next three years. The plan is supported by publicly accessible business plans and open lines of credit at Ukrainian and foreign banks. The expansion plan focuses on vertical integration and modernization with hopes of also breaking into the duck and turkey meat market. Industry experts predict it will be able to satisfy Ukraine's domestic demand and begin exporting to nearby markets in five years time.

On October 20, 2005, Ukraine parliament placed a six-month ban on poultry imports from all countries, and introduced strict border control measures to prevent bird flu from entering the country. The president hasn't signed this into law yet.

Source: USDA FAS / FAO / Various Newswires

Comparison of Ukraine's Import Tariffs for Chicken Products

Item	Old		New	
	Official AV Rate	Fixed EUR Rate	Official AV Rate	Fixed EUR Rate
Whole Chickens F/C/Z*	30%	1.5	10%	0.4
Parts F/C/Z**	30%	1.5	30%	1.5
Other F/C/Z***	-	0.7	-	0.7

(Official Ad Valorem Rate; Fixed Minimum Rate, EUR per 1 kg)

* Whole Chickens Not Cut in Pieces, Fresh/Chilled/Frozen

** Cuts excluding: Fresh/Chilled, not deboned Halves, Quarters, Legs, & Leg Parts; or Frozen Cuts, Legs, & Leg Cuts

*** Fresh/Chilled, not deboned Halves, Quarters, Legs, & Leg Parts; & Frozen Cuts, Legs, & Leg Cuts

Note: All tariff rates are MFN rates. The old tariffs were circumvented through FEZs, but were not tariff free due to registration fees and special taxes on production within the FEZs. Rates for HS02071410-02071460 will be reduced upon Ukraine's accession to the WTO to 10%, but no less than 0.4 EUR/kg.

Source: USDA FAS/The Law of Ukraine on Customs Tariff as of July & August 2005

Poultry Product Imports into Ukraine Following Reversal of

Poultry Ban of 2003 & 2004

HS Codes	Description	2003	2004	2004%	% Growth
0207	Poultry Meat & Offal*	100.7	295.7		294
020712	Wh. Chickens, Z**	5.3	8.5	3%	161
020714	Chicken Cuts				
	& Edible Offal, Z	81.3	267.0	90%	329
0207	Other	14.1	20.1	7%	143

* '0207 Poultry Meat and Edible Offal'

** 'Whole Chickens'; 'Z' is frozen

Note: '2004%' refers to the share of 6-digit HS Group in 0207 in 2004; '% Growth' refers to the percentage change between 2003 & 2004

Source: USDA FAS

Inspected Egg Products-U.S. & Canada Export/Import Trade**U.S. Exports to Canada, in Pounds (000) (Preliminary)**

Week Ending October 15, 2005		Year-To-Date		
TYPE	2005	2004 1/	2005 2/	2004
Liquid	407	650	13,876	14,381
Frozen	0	0	130	11
Dried	69	0	648	589
Total	476	650	14,654	14,981

U.S. Imports From Canada, in Pounds (000) (Preliminary)

Week Ending October 15, 2005		Year-To-Date		
TYPE	2005	2004 1/	2005 2/	2004
Liquid	142	59	5,691	7,001
Frozen	0	0	708	1,447
Dried	0	0	371	1,853
Total	142	59	6,770	10,301

Inspected Shell Eggs**U.S Exports To Canada, In 30-Dozen Cases (Preliminary)**

Week Ending October 15, 2005		Year-To-Date		
TYPE	2005	2004 1/	2005 2/	2004
Jumbo	0	0	179	378
Extra Large	2,580	3,210	171,325	161,004
Large	6,879	20,368	269,567	348,781
Medium	2,550	3,096	88,969	107,035
Ungraded	5,220	7,446	155,134	261,828
Misc	0	0	8,053	16,790
Total	17,229	34,120	693,227	895,816

1/ Comparable Week, to-date figures may not total due to rounding.

2/ Includes revisions to previous week(s).

Data Source: Agriculture and Agri-Food Canada, AISD, AID, Poultry Section

Source: USDA/AMS Poultry Programs, Market News Branch.

U.S./Canadian Live Poultry Slaughtered Under Inspection

W/E 15-Oct-05 (PRELIMINARY)

U.S. Fowl Slaughtered Domestically

	Light Hens	Heavy Hens	Total Hens
-----Thousands-----			
Head	1,322	1,501	2,823
Last Week	1,250	1,445	2,695
Same week yr ago	1,305	1,522	2,827
To-date/2005	59,844	58,095	117,939
To-date/2004	55,879	55,524	111,403

U.S. Fowl Slaughtered in Canada

	Light Hens	Heavy Hens	Total Hens
-----Thousands-----			
Head	197	2	199
Last Week	136	18	154
Same week yr ago	82	0	82
To-date/2005	10,673	60	10,733
To-date/2004	9,871	98	9,969

Data Source: Agriculture and Agri-Food Canada, AISD, AID, Poultry Section

Total U.S. Fowl slaughtered in the U.S. and Canada

	Light Hens	Heavy Hens	Total Hens
-----Thousands-----			
Head	1,519	1,503	3,022
Last Week	1,386	1,463	2,849
Same week yr ago	1,387	1,522	2,909
To-date/2005	70,517	58,155	128,672
To-date/2004	65,750	55,622	121,372

Source: USDA/AMS Poultry Programs, Market News Branch

CENTRAL REGION MECHANICALLY SEPARATED CHICKEN

F.O.B. SHIPPER DOCK OR EQUIVALENT, PRICES NEGOTIATED FOR MECHANICALLY SEPARATED CHICKEN IN THE CENTRAL REGION IN TRUCKLOT AND LESS THAN TRUCKLOT VOLUMES, CENTS PER POUND, DELIVERY WITHIN TWO WEEKS.

Oct 21, 2005

CHICKEN WITH SKIN ADDED

---- PRICES ----		---- VOLUME ----		
FAT CONTENT	FROZEN	FRESH	TOTAL	EXPORT
15% OR LESS				
RANGE	-	22.00	81,600	-
WTD AVERAGE		22.00		
15-20%				
RANGE	17.00-18.00	14.00-22.00	1,256,163	440,963
WTD AVERAGE	17.83	16.82		
20% OR MORE				
RANGE	-	-	-	-
WTD AVERAGE				

* INCLUDES THE STATES of AL, AR, IA, IL, IN, KS, KY, LA, MI, MN, MO, MS, ND, NE, OK, OH, SD, TN, TX, WI

EASTERN REGION MECHANICALLY SEPARATED CHICKEN

F.O.B. SHIPPER DOCK OR EQUIVALENT, PRICES NEGOTIATED FOR MECHANICALLY SEPARATED CHICKEN IN THE EASTERN REGION IN TRUCKLOT AND LESS THAN TRUCKLOT VOLUMES, CENTS PER POUND, DELIVERY WITHIN TWO WEEKS.

Oct 21, 2005

CHICKEN WITH SKIN ADDED

---- PRICES ----		---- VOLUME ----		
FAT CONTENT	FROZEN	FRESH	TOTAL	EXPORT
15% OR LESS				
RANGE	18.00	19.00-20.00	596,000	156,000
WTD AVERAGE	18.00	19.55		
15-20%				
RANGE	16.00-21.00	13.00-19.00	2,636,000	1,196,000
WTD AVERAGE	17.17	15.72		
20% OR MORE				
RANGE	-	14.00	80,000	-
WTD AVERAGE		14.00		

* INCLUDES THE STATES of CT, DE, FL, GA, MA, MD, ME, NC, NH, NJ, NY, PA, RI, SC, VA, VT, WV

NATIONAL YOUNG TURKEY PARTS AND BULK MEAT, FROZEN (UNLESS SPECIFIED), CENTS PER LB., DELIVERED FIRST RECEIVERS, PART AND FULL TRUCKLOTS AS OF 21 OCTOBER 2005.

The market tone on tom drums steady to barely steady with spot weakness noted into export channels as processors move inventories into a better balance. The market tone on tom 2-joint wings continued steady to barely steady, tom necks and full-cut wings steady to firm. Demand moderate to good on tom drums into export channels with trading heavy on frozen for Asia for current shipments and on open priced fresh for November-December shipments to Mexico. Inquiry on tom 2-joint wings light to moderate, tom necks and full-cut wings moderate to good. Offerings of tom drums and 2-joint wings mixed, balance short. For domestic (fresh): wing meat 88-90, scapula 125-133 mostly 129-133, breast trim 168 cents delivered.

EXPORT TRADING	PRICE	L.S.T.	WTD AVG	VOLUME	WEEKLY	WEEKLY
FRIDAY, OCTOBER 21, 2005	RANGE	CODE 1/	PRICE	(000)	WTD AVG	VOLUME
DRUMSTICKS, TOMS	43.00-44.00		43.36	652	43.54	732
WINGS FULL-CUT - TOMS		R	46.00	40	46.00	40
WINGS, V-TYPE, TOM						
TAILS						
MECHANICALLY SEPARATED 2/	24.00		24.00	40	24.00	40
THIGH MEAT - FROZEN	96.00		96.00	52	96.00	52
EXPORT TRADING	PRICE	L.S.T.	WTD AVG	VOLUME		
THURSDAY, OCTOBER 20, 2005	RANGE	CODE 1/	PRICE	(000)		
DRUMSTICKS, TOMS		M	45.00	80		
WINGS FULL-CUT - TOMS	46.00		46.00	40		
WINGS, V-TYPE, TOM						
TAILS		R	32.00	80		
MECHANICALLY SEPARATED 2/						
THIGH MEAT - FROZEN		F	95.00	40		
EXPORT TRADING	PRICE	L.S.T.	WTD AVG	VOLUME		
WEDNESDAY, OCTOBER 19, 2005	RANGE	CODE 1/	PRICE	(000)		
DRUMSTICKS, TOMS		M	45.00	80		
WINGS FULL-CUT - TOMS						
WINGS, V-TYPE, TOM						
TAILS		R	32.00	80		
MECHANICALLY SEPARATED 2/						
THIGH MEAT - FROZEN		F	95.00	40		
EXPORT TRADING	PRICE	L.S.T.	WTD AVG	VOLUME		
TUESDAY, OCTOBER 18, 2005	RANGE	CODE 1/	PRICE	(000)		
DRUMSTICKS, TOMS		M	45.00	80		
WINGS FULL-CUT - TOMS						
WINGS, V-TYPE, TOM						
TAILS		R	32.00	80		
MECHANICALLY SEPARATED 2/						
THIGH MEAT - FROZEN		F	95.00	40		
EXPORT TRADING	PRICE	L.S.T.	WTD AVG	VOLUME		
MONDAY, OCTOBER 17, 2005	RANGE	CODE 1/	PRICE	(000)		
DRUMSTICKS, TOMS	45.00		45.00	80		
WINGS FULL-CUT - TOMS						
WINGS, V-TYPE, TOM						
TAILS		R	32.00	80		
MECHANICALLY SEPARATED 2/						
THIGH MEAT - FROZEN		F	95.00	40		

1/ CODES FOR LAST SIGNIFICANT TRADE (L.S.T.): M=MONDAY T=TUESDAY W=WEDNESDAY R=THURSDAY F=FRIDAY

2/ Product contains 15-20% fat with skin added.